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WORKING PAPER 21

# Getting Evidence into Social Policy:

## Lessons from Australia 2007 to 2017





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# Key Messages

Australia's experience in social policy reform highlights lessons about the necessary conditions for effective evidence-based policy making. Case studies covering four policy issues—education; disability; public service capacity building; and 'open' government policies—illustrate how six inter-related 'enabling factors' support the use of evidence by governments. Putting these in place requires strong political commitment to national reforms:

- (i) **Access to good quality data:** Government-held quantitative, administrative and operational data provides significant opportunities to evaluate policies and programs to improve their efficiency and effectiveness. The Australian Productivity Commission has recommended significant reforms to change Australia's current data sharing practices to improve evidence-based policy making in the education sector. Reports on building a *National Education Evidence Base*, and *National School and Early Childhood Education Evidence Base* will be tabled for Parliament's consideration in early 2017.
- (ii) **Holistic monitoring and evaluation models:** A broad array of evidence is necessary to inform decisions throughout the policy cycle. Australia's 'top-down' high-level education data enables benchmarking, accountability and monitoring of student and school performance. But highly aggregated data on 'what' is happening must be informed by systematic 'bottom-up' evaluation of policy impact to understand 'why' it is happening, to whom and under what circumstances, and then apply this evidence to improve poor student outcomes. Access to government-held data is critical.
- (iii) **Transparent evidence-gathering processes:** Good process improves analysis for decisions, even if the evidence is not 'perfect' every time. The Commission's open public inquiry into Australia's disability reform encompassed its three core principles: independence, transparency and a 'whole-of-society' focus. This process was instrumental in the Australian Government's gathering, analysis and use of evidence to inform its new disability insurance policy.
- (iv) **Independent governance of evidence:** Institutions independent of government are essential for the objective evaluation of policies and programs to ensure they meet their objectives and inform future funding decisions. An independent statutory agency advises the Australian Government on the performance of the new National Disability Insurance Scheme. The establishment of autonomous bodies has also been proposed to improve evidence-based policy in education and lead reform of Australia's data-sharing policies.

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- (v) **Policy staff with data analytical skills:** Governments require a civil service equipped with high-level skills and capabilities to rapidly acquire and integrate research into policy decision making. However, over the last decade Australia's policies to improve strategic policy capacity have failed to prioritize the necessary data skills. Lack of progress in this area is closely related to policy inertia in reforming the sixth enabling factor.
  
  - (vi) **Commitment to more open government:** Australia lacks a culture of open government that enables open access to administrative data. The Productivity Commission's recommendations in *Data Availability and Use* (2016), if adopted, will vastly increase the available data and evidence to improve policy design and service delivery. Greater access to data will in turn provide the catalyst to improve public sector data capabilities and provide evidence-based analysis and advice to government.

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# Abbreviations and Acronyms

APS	: Australian Public Service
COAG	: Council of Australian Governments
NAPLAN	: National Assessment Program for Literacy and Numeracy
NDIA	: National Disability Insurance Agency
NDIS	: National Disability Insurance Scheme
OECD	: Organisation for Economic Co-operation and Development

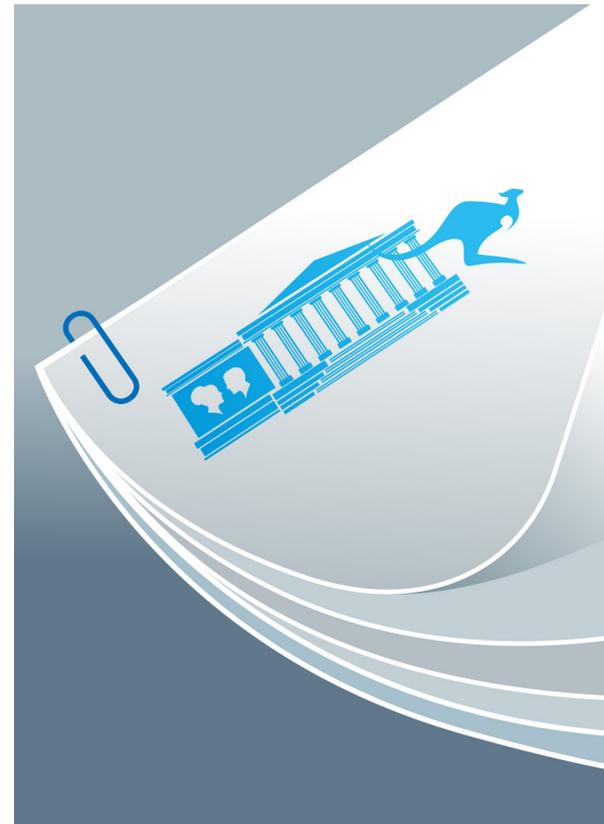
# Introduction

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The evolution of ‘evidence-based’ policy making in the United Kingdom and United States is well documented. Increasing attention over the last 20 years stems in part from the initiatives of the Blair Labour government, elected in 1997 on a platform of ‘what counts is what works’ and ‘questioning inherited ways of doing things’ as the basis for future government decision-making processes. The result was a more comprehensive investment in policy-relevant research, in evaluation of programs, capabilities of the public service, and in the use of pilots and Randomized Control Trials. Nevertheless, as the early ambitions of embedding evidence in policy development were not rapidly fulfilled, and the inherently political process, among other competing variables remains unchanged, recent narratives have given way to the more nuanced analysis of ‘evidence-informed’ or ‘evidence-influenced’ policy making (Solesbusy, 2001; Nutley, Davies and Walter, 2002; Davies, 2012; Head, 2014; Cairney, 2016).

In Australia, as elsewhere, this process is evolving, as evidence-based approaches remain problematic in contested areas of social policy (Head, 2014). Four case studies trace a series of decisions taken by the Australian Government that illustrate how evidence-based policy has evolved in the Australian Federation over the last 10 years of reform. This paper uses the term ‘evidence-based’ policy throughout in line with prevailing political narratives that claim to value and promote the use of evidence, and show the extent to which it transpired into policy action<sup>1</sup>.

The first two case studies provide contrasting examples of evidence use in education and disability reform in Australia. The data and evidence limitations in these two policy areas segue to the next two case studies. These trace policies that have failed to develop the necessary data skills across the Australian Public Service. This



1 The terms Federal and Commonwealth Government are used interchangeably throughout this paper and represent the highest tier in Australia’s three-tier intergovernmental system. The Commonwealth provides significant funding for services delivered by the states and territories, the second tier of government. Local government (councils) comprises the third tier.

stems from a lack of commitment to implement the reforms necessary to create more 'open government' which promotes wide release of administrative data to build strategic policy capabilities.

### 1.1 What is evidence-based policy and why is it important?

It is widely acknowledged that evidence-based policy has a long history and that a multitude of factors and obstacles play a significant role in developing modern policy systems. These include the interdependence of complex social problems, as well as the resources, skills and time required to collect and analyse information and for policy decisions to come to fruition. Other issues include the pervasiveness of lobbyists and pressure groups, bureaucratic culture, and the need to respond quickly to every-day pressures. These variables play out within the political context, values and beliefs within which policy decisions are made (Head, 2014; Davies, 2012; Edwards and Evans, 2011).

In principle, evidence-based policy making is desirable because it enables governments to make informed decisions to improve community living standards on the basis of the best information available. Therefore, a broad array of evidence in social policy is deemed necessary to inform decision making at all stages of the policy cycle to achieve better outcomes – in shaping agendas, in defining issues, in identifying options, in making choices of action, in delivering them, and in monitoring their impact and outcomes to undertake further refinement (Woods, 2016; Sutcliffe and Court, 2005). Thus, Solesbury argues, both availability and validity become key issues in being able to provide evidence-based advice to government (2001, p.8).

In this context, governments, Davies argues, should be resourcing new research, analysis and evaluation where knowledge about the effectiveness of policy initiatives and implementation is lacking (Davies, 2012). In turn, this evidence should form the basis of the efficient and effective allocation of scarce

public resources and provide transparency on the basis of such decisions.

Thus clearly, while evidence alone does not determine policy decisions, a sound model must be able to inform policy makers' judgments, improve the basis for decisions, avoid costly mistakes and condition the political environment by providing evidence where trade-offs are made. In recognition of this complex policy-making environment, the Productivity Commission, Australia's foremost independent policy advisory body, defines evidence-based policy as:

*A process to the fullest extent possible, that transparently uses rigorous and tested evidence in the design, implementation and refinement of policy to meet designated policy objectives (PC, 2009b, p.3).*

This paper examines the importance of transparent evidence gathering processes through Australia's recent overhaul of its disability system (Case Study 2). This process led to bipartisan support for a new scheme, whose design, implementation and refinement over several years crosses the political spectrum.

### 1.2 The political environment

The period covered in this paper begins in the immediate aftermath of the election of the Labor government in 2007, after 12 years of Coalition<sup>2</sup> government under Prime Minister John Howard. The new Prime Minister, Kevin Rudd, announced that his government, not unlike the Blair government a decade earlier, saw a strong link between evidence-based policy and good governance, declaring that "policy innovation and evidence-based policy is at the heart of being a reformist government" (Rudd, 2008). Labor's policy platform aimed

<sup>2</sup> At the Federal level, Australia's Coalition government refers to the alliance of the Australian Liberal Party and the Australian National Party. When in government, the Liberal Party leader usually serves as Prime Minister of Australia and the National Party leader as Deputy Prime Minister.

to deliver a 'third wave' of economic reform – the majority in the human capital domains for which a solid evidence base was not well established.

Human capital development is at the heart of a third wave of economic reform that will position Australia as a competitive, innovative, knowledge-based economy that can compete and win in global markets (Australian Labor Party, 2007, cited in Dawkins, PC, 2009a, p.233).

Prime Minister Rudd's declarations gave extra impetus to policy debates in Australia at the time. In 2009 the Australian Productivity Commission convened its annual Roundtable on [Strengthening Evidenced-based Policy in the Australian Federation](#) to analyse how the Australian Public Service was positioned to meet the policy demands of the new government. Discussions at the Roundtable recognised a remaining lack of evidence in contested areas of social policy and that the policy-making agenda in the years ahead required concerted action to improve the evidence base, particularly in the 'data challenged' field of human development.

Pervasive data limitations hampered policy evaluation. Either data was not collected, or it was of limited applicability, was too partial

for meaningful analysis or was inaccessible. Similarly, evaluations were either not undertaken or if they were commissioned, were not shared beyond the sponsoring agency or academic institution (PC, 2009b; PC, 2010).

Better evidence and sound policy processes were seen as crucial to advancing the Council of Australian Governments (COAG) reform objectives: to raise workforce participation, productivity growth and living standards. Agreement through COAG, Australia's peak intergovernmental body had been instrumental in progressing the microeconomic and structural reforms of the 1980s and 1990s, reversing Australia's economic decline. However, with economic growth came rising inequality. When Labor took office in 2007, despite a long resources boom Australia ranked last among the Organisation for Economic Co-operation and Development (OECD) countries where people with a disability were living at or below the poverty line (Bonyhady, 2016).

The Rudd government took action to build the evidence base by commissioning research and independent reviews to address indigenous disadvantage, respond to the challenges of climate change, reform the health, education, disability and tax systems, develop frameworks for social inclusion and early years development, and a new parental

### Box 1: The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role is to help governments make better policies, in the long-term interest of the Australian community.

Where policy issues to be addressed by the Commission may have a significant impact on different groups within society, or are otherwise contentious or complex to assess, they require extensive public consultation and exposure handled through the Commission's formal public inquiry process. Only the Federal Government can initiate a public inquiry.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information see [www.pc.gov.au](http://www.pc.gov.au) See also KSI Working Papers: [The Productivity Commission: Providing Independent Advice to Government](#) (2014) and [Establishing Think Tanks: Comparative Models](#) (2015).

leave scheme, among others<sup>3</sup>.

Since these moves, Australia's economic and political landscape has undergone considerable change. Not least has been the shift in the economic context. Recent data from the longitudinal Household Income and Labor Dynamics in Australia (HILDA) survey shows that inequality in Australia has been rising steadily since the 2008 global financial crisis and subsequent resources downturn in Australia (Westerman, Mountain and Wilkins, 2016).

The political terrain reflects this economic turmoil. Julia Gillard replaced Kevin Rudd as leader in 2010. This was followed by a second short-lived Rudd government before Labor lost the 2013 election to the Coalition led by Tony Abbott. After the Abbott government undertook a series of unpopular budget repair measures, Malcolm Turnbull became Australia's fifth Prime Minister in five years, replacing Abbott in 2015. The Coalition won the subsequent 2016 election with a majority of only one seat.

In Australia's federated system where the funding and delivery of services is dispersed between the three tiers of government, bipartisan agreement through COAG has been key to maintaining momentum for reform across successive governments, including disability reform outlined in this paper (Case Study 2). However, as this paper shows, after 10 years of under-investment in data access, program evaluation and public sector skills development, the challenges of evidence-based policy making remain acute.

### 1.3 What enabling conditions encourage evidence-based policy making?

Evidence-based policy making requires a number of specific practices and institutional preconditions. This paper focuses on six

preconditions that help explain evidence-based practices in the Australian social policy context. They derive from previous analysis by the Productivity Commission, the body that has perhaps more than any other, been at the forefront of the evolution of Australia's evidence-based policy making for more than 40 years (Box 1). These six inter-related conditions are: (i) access to good quality data; (ii) complementary monitoring and evaluation frameworks; (iii) sound evidence gathering processes; (iv) independent governance of evidence; (v) skilled policy staff; (vi) underpinned by a political culture that supports open government<sup>4</sup>.

#### 1.3.1 Access to good quality data

Public policy measures can have pervasive effects on the wellbeing of the community. Systematic evidence-based analysis is therefore an essential element of all good policy, particularly in areas of social policy which comprise a considerable and increasing portion of government budgets, and in which evidence-based approaches remain problematic. It is necessary to share data between and across agencies, the research community and the public to generate the analysis and evidence governments need to properly understand if policies meet their objectives, operate as intended, and if services are delivered effectively. Thus, ideally, robust evidence should inform governments about 'what works' as the basis for decisions to continue, modify or cease programs.

#### 1.3.2 Complementary monitoring and evaluation models

Evidence-based policy requires governments to develop two distinct yet complementary sources of evidence. Under New Public

3 See Holthouse (2014) KSI Working Paper 1, [Australia's Productivity Commission: Providing Independent Advice to Government](#), for an examination of the Commission's public inquiry into establishing a Paid Parental Leave Scheme which was adopted by the former Labor government in 2011.

4 See PC (2013), (2010), (2009a) and (2009b) and Banks (2009) for an expanded discussion on these and other factors for effective evidence-based policy making.

Management models of governance that promote contestability, efficiency and outsourcing of service delivery, governments require high-level aggregate information to benchmark and monitor performance of service providers and inform the broad allocation of resources (Head, 2008). This kind of ‘top-down’ *descriptive* information on ‘what’ is happening is derived from large-scale data sets and simple analysis. The other, often neglected, source of evidence is gathered from ‘bottom-up’ evaluation of ‘why’ it is happening, to whom and under what circumstances. A commitment to the sustained, systematic funding of evaluations is necessary to investigate the causal effect of policies and practices on outcomes over time using small-scale data sets that answer specific questions and utilise sophisticated research methods (PC, 2016a).

### 1.3.3 Transparent evidence-gathering processes

As noted above, a multitude of factors influence policy making. Thus, adherence to sound process is paramount to encourage the use of robust evidence over ideology, intuition and ‘conventional wisdom’ in decision making. Three core principles are fundamental to the Productivity Commission’s evidence-to-policy model: independence; transparency, and whole-of-community focus. Governments that promote independent, transparent institutions and processes foster conditions where constituents – the general community, interest groups and parliamentarians – are more receptive to reforms. Genuine public consultation is a key factor in understanding the issues, testing community reaction to policy ideas, educating citizens about the broader benefits to society against those of

#### Case study 1: Schools education reform

In education reform, the Gillard government intended to address the disparity in literacy and numeracy levels across Australian schools. The Federal Government set about building a transparent and useable evidence base to benchmark the performance of schools and students across the country by introducing nationally consistent numeracy and literacy tests. It also commissioned an independent expert-led review to design a new schools funding model.

In principle, this new publicly available data on school performance would be used to redistribute public resources towards the schools and students that needed it most. However, more than five years later, neither major party has used the available evidence as a basis for reform. Furthermore, significant evidence on ‘what works’ in Australian classrooms to improve student performance is either lacking or not being fully harnessed.

To address Australia’s declining international ranking, the Commission has recommended the Australian Government develop a fully integrated National Education Evidence Base. If adopted, the policy would meet the core criteria for promoting evidence-based policy making: An independent research and resourcing body would be established. Its role would be to develop a national evaluation framework; provide access to education data; undertake systematic ‘bottom-up’ evaluation of policies, programs and teaching practices; and share learning and data across jurisdictions.

vested interests, and in gaining acceptance for potential policy change by those likely to be affected (Banks, 2009).

#### 1.3.4 Independent governance of evidence

Institutions charged with collecting and managing relevant data that are *independent of government*, provide some assurance to the public that policies and funding have a greater chance of surviving political cycles. Stable institutional arrangements that attempt to depoliticise decision making support long-term, strategic and quality information gathering and analysis, to bring about policy improvements over time. In its recommendations for improving evidence-based policy making, the Productivity Commission has consistently called on the Australian Government to establish sector-specific, independent agencies to undertake evaluation and advise government on policy reform in education, disability and data management, as outlined in this paper.

#### 1.3.5 Policy staff with data analytical skills

Public service expertise is at the forefront of providing government with the analysis it needs to make the judgments it has been elected to make (Banks, 2013). This rests on the ability to access and utilise the best information and data available, requiring a depth of research and data analysis skills, and links with academic institutions to integrate external research and expertise. The supply and quality of such skills in the public service therefore depends on a political environment that is receptive to robust evidence derived from open access to data and research, and informed public debate to contest policy ideas.

### Case study 2: Disability sector reform

Australia's experience in disability reform provides a clear example of the use of evidence by the Australian Government to inform its directions for innovative social welfare reform. First, the decision to refer disability reform to the Productivity Commission demonstrates the strong institutional trust derived from *independent, transparent evidence-based policy process* – the assembly and interrogation of evidence, public consultation, independent advice, and transparent consideration of options. This process, which built support for reform across the community and political sphere, was crucial to the Labor Government's adoption of the National Disability Insurance Scheme (NDIS) in 2012.

Second, institutional independence also forms a core component of the Commission's recommendations for sector-based reforms. *Independent governance of evidence* provides the community with greater assurances in the objectivity of performance assessments and subsequent funding decisions and in the longevity of reforms...The National Disability Insurance Agency (NDIA) was established to administer the new Scheme, collect data, evaluate its performance and advise government. The NDIA's independence is critical to the roll-out and refinement of the policy during its staged implementation over several years.

### Case study 3: Building policy skills across the public sector

The third case study focuses on attempts to reform the Australian Public Service over the last 10 years to develop the skills and capabilities required to provide strategic evidence-based policy advice to government. This paper shows that these skills remain in short supply across public sector agencies because Australian governments are failing to prioritise the development of the skills needed to gather and analyse data. This scenario has arisen due to policy inertia in the sixth inter-related precondition: delayed reforms to create more open government by enabling wide access and sharing of administrative data 'by default'.

#### 1.3.6 Political commitment to open government is a prerequisite

'Open government', or making more data available to more people, enables evidence-based policy making in two ways. First, it can enrich the quality of public discussion around a policy issue by enabling a wider range of researchers to produce alternative analyses, and potentially contest government narratives. In a society with robust democratic institutions, including an open media, this should result in better policies. Second, open government can catalyse the development and acquisition of skills needed in the public service to support evidence-based policy making. Only through a concerted demand for robust evidence will the requisite skills and capabilities within government – in economics, data management and analytics, strategic policy analysis, monitoring and evaluation – develop in tandem to meet these needs.

Evidence-based policy making occurs in a complex and politically driven environment. These case studies show that its evolution in Australia is strongly influenced by the extent to which political leadership demands the evidence it needs to make informed choices, commits to creating the enabling environment for wide sources of evidence to develop, and ultimately the extent to which the evidence is used to inform decision making. In Australia's federated system, this relies on the ability and resolve of the Commonwealth Government to secure agreement from the state and territory governments to reform policies of national significance with local jurisdiction. This paper shows that the six key preconditions selected for analysis that promote the systematic production and uptake of evidence in government decision making remain an important unfinished reform in Australia.

### Case study 4: Creating more open government

The sixth inter-related enabling condition to advance Australia's evidence-based reforms requires fundamentally changing Australia's current data-sharing policies and practices at all levels of government. Despite the rhetoric of valuing evidence over ideology, Australia still lacks a 'culture' of information sharing and proactive data release. Attempts at reforms over the last 10 years have failed to address the numerous barriers to data sharing, derived from a lack of trust, short-term political sensitivities, and privacy concerns that have stymied progress.

However, Australia's open government policies may evolve in a more positive direction should the Government adopt recommendations from the Productivity Commission's recent public inquiry, *Data Availability and Use* (2016). Fundamentally, open government is, the core prerequisite to support the five other conditions for evidence-based policy making by providing the sophisticated, systematic collection, management, sharing and analysis of data to build the evidence bases needed to properly inform policy.

# Case Study 1: Building a National Education Evidence Base



## 2.1 Introduction

This chapter highlights three of the preconditions for evidence-based policy making in Australia's education sector: (i) *access to government-held data*, (ii) *complementary monitoring and evaluation models*, and (iv) *independent governance of evidence*. It tells the story of the Labor government's attempt to bring together and use the evidence needed to reform Australia's education sector, particularly the way that public funding supports schools. To build the evidence base on school performance, the Government established national arrangements for monitoring and benchmarking across the states and territories, to address what it perceived as entrenched inequalities in school financing behind the uneven student outcomes across schools.

However, this evidence was not used by either party as a basis for funding reform, and is insufficient as an evidence base to assess and address poor student performance. Thus, the Coalition government has requested the Productivity Commission to outline further reforms required to build a *National Education Evidence Base* to inform education policy and funding.

## 2.2 Building the evidence base

In 2008, the then Deputy Prime Minister and Education Minister, Julia Gillard, championed improvements to transparency and accountability to enable comparisons of schools performance across the country, stating:

“It is my strong view that lack of transparency both hides failure and helps us ignore it. And lack of transparency prevents us from identifying where greater effort and investment are needed” (Gillard, 2008, cited in PC, 2009)<sup>5</sup>.

To achieve this, Gillard secured a series of national reforms. All state and territory education ministers agreed to standardise school curricula and testing across the country. Results from the new National Australian Curriculum and National Assessment Program for Literacy and Numeracy (NAPLAN) tests would be made public on a new ‘My School’ website. Launched in 2010, it provides information on student performance across every school in Australia, around 10,000 in total. Results to date have revealed marked differences between states, sectors and schools (Kayrooz and Parker, 2010).

The reforms sparked by the Labor government emerged amid a backdrop of growing anxiety that continues today about Australia’s relative performance internationally. NAPLAN and the OECD Programme for International Student Assessment (PISA) tests show that Australia’s education performance at secondary level has been steadily declining for almost 20 years. More importantly, behind these results are huge gaps in achievement between advantaged and disadvantaged students. High achieving Australian students rank well above the OECD average while poor-performing students are well below (Ricci, 2015; Riddle and Lingard, 2016)<sup>6</sup>.

<sup>5</sup> At the time, Julia Gillard was Deputy Prime Minister and Minister for Education, Minister for Employment and Workplace Relations and Minister for Social Inclusion.

## 2.3 The evidence was not used to shape education policy

Fundamentally, these nationwide initiatives aimed to provide the Government with data on the most in-need schools, to support funding reforms outlined in an independent review presented to the Government in 2011 by the then Prime Minister Julia Gillard. Known as the *Gonski Report* (after its chief architect), it sought to pinpoint the source of these issues. Compared with the majority of OECD countries, Australia has a high level of resources, but also a high level of inequity in allocation. There are three school sectors, each funded in different ways from three different sources. There are two levels of government involved, one with responsibility, the other with money. Test results reflect this policy position, resulting in considerable variation on the basis of socioeconomic status, with remote indigenous students faring worst of all. The independent expert panel concluded that poorly targeted funding was a major factor behind the failure to improve the results of disadvantaged students and reduce the large achievement gaps (DEEWR, 2011).

The new ‘sector-blind, needs-based’ funding model, if adopted, would take decision making out of the hands of politicians beholden to powerful sectoral lobby groups, and make the individual student the basis of funding. It proposed redistributing existing funding (around \$39 billion annually) to schools based on the evidence of the ‘measured need’ of individual students and schools instead of the location or type of school they attended, which had characterised funding of Australia’s education system for more than 40 years.

However, despite the urgency of the reforms to school funding structures, then Prime Minister Julia Gillard failed to convince the

<sup>6</sup> In PISA’s 2015 results, Australia ranked 10th in Science (down from 8th in 2012), 20th in Maths (down from 17th) and 12th in Reading (down from 10th). In 2000, when the first tests were held, Australia ranked 8th for Science, 6th for Maths and 4th for Reading, out of 41 countries (Riddle and Lingard, 2016).

states and territories to adopt the reforms. As a result the rigorous, national, evidence-based testing of school resourcing administered by an independent authority, a National Schools Resourcing Body, was never implemented. Instead of a process of 'building funding up from the bottom', decisions continue to be made through COAG and are subject to considerable top-down negotiation between the Commonwealth and state and territory governments. Julia Gillard's eventual promise that 'no school would lose a dollar' served only to perpetuate long standing inequitable funding arrangements and increases to federal funding that she was trying to address (Boston, 2017).

As a result of Labor's failure to gain support for the Gonski reforms, and the Coalition's continued rejection of the report as an objective evidence base, private (Catholic) schools still receive a disproportionate amount of funding compared to public (state) schools. This persists despite public schools educating a larger number of senior secondary school students and disadvantaged students.. Thus, six years on, despite the evidence, the politics of school funding means that neither party has implemented the Gonski reforms.

Education policy and funding in Australia is a highly contested area and lack of commitment to evidenced-based reform has stalled progress to the detriment of Australia's most disadvantaged students. As a result, education inequality remains a pressing policy issue in Australia.

## 2.4 The unfinished education evidence agenda

As Australia's international education results continue to decline, the Coalition government has said that it is 'committed to working collaboratively with the states and territories to build a world-class education system' (PC, 2016a). The Australian Government now has at its disposal evidence which identifies students performing poorly, but still lacks national policies and programs to understand 'what works' to help them improve. To distance itself from repeated calls to adopt the Gonski

model, while still embracing the language of 'evidence' and 'needs-based funding', the Coalition government has sought independent advice from the Productivity Commission on improving education outcomes. The Commission's inquiry into *Building a National Evidence Base* released in December 2016 sets out the capabilities for an effective national system (Box 2).

## 2.5 What is the Productivity Commission proposing?

The Commission has advised all governments to commit to advancing at three core preconditions for effective evidence-based policy making as outlined in this paper: (i) *release government-held education data;* (ii) *develop and fund a national evaluation framework,* and (iii) *establish independent governance arrangements.* The Commission's Terms of Reference, however, did not extend to reforms to the existing funding architecture.

### 2.5.1 A national evaluation framework is required

The Commission found that NAPLAN and the [My School](#) website have improved transparency by providing important new publicly available bodies of data to set baselines, and to benchmark and monitor the performance of schools. However, they maintain that these 'top-down' policies alone are 'insufficient to achieve gains in education outcomes.' Significant evidence gaps remain because current policies focus on evidence that provides information on 'achievement' rather than understanding what contributes to student 'gains' over time (PC, 2016a, p.2). Citing extensive research, the Commission says improving student outcomes requires complementing high-level performance monitoring data with a 'bottom-up' national evaluation framework.

The path to better education outcomes lies in strengthening the capability to identify and evaluate the policies, programs and teaching practices that work best, for whom

and in what circumstances, and applying this across the nation's school systems (PC, 2016a).

Currently, the body of high-quality research relating to the Australian education context is very small and was assessed as being below world standard. As a result, Australia has relied heavily on international evidence, particularly in the domain of early childhood education and care. This has led to the adoption of overseas models but leaves pressing questions about impact in the Australian context unanswered.

### 2.5.2 Data sharing policies need reform

To inform this evidence base, the Commission has recommended developing a national system for the collection, management and use of all education data across Australia's 10,000 schools. Tightly held government data needs to be made available to researchers to understand the impact of a wide range of policies and factors on student outcomes. However, the Commission found that Australia lacks a culture of sharing data, lagging behind other countries such as the UK and the US in granting access to administrative data. Agency-level data remains difficult to access, is not uniformly collected or is not linked to other datasets. These barriers undermine its utilisation by researchers and government as an effective evidence base.

### 2.5.3 Independent governance of evidence is essential

Effective evaluation requires another core capability, the independent governance of evidence. The Labor government did not adopt Gonski recommendations to establish an independent National Schools Resourcing Body. However, COAG has not been able to fill this vacuum and has repeatedly failed to uphold non-binding agreements reached in 2008 and again in 2013 to share data and develop, publish and disseminate evidence on what works best in schools. With this core function in providing evidenced-based advice to government still lacking, the Commission has recommended shared responsibility for funding an independent national research institution to drive the reform agenda and 'promote a culture of using evidence among policy makers and educators.'

Modelled on the UK Education Endowment Foundation and US Institute of Education Sciences, it would lead a strategic research agenda producing high-quality research through currently under-utilised Randomised Controlled Trials, used extensively in the US and UK in policy evaluation. A Clearing House similar to the one managed by the Australian Institute of Health and Welfare would assist in the public dissemination of evidence of 'what works' (PC, 2016a).

#### Box 2: Guiding principles for establishing a national education evidence base

A national evidence base should:

- Meet the varied needs of decision makers at all levels of the education system
- Provide high-quality data and evidence to inform decisions
- Drive improved student achievement through four interconnected processes: monitoring of performance; evaluation of what works best; dissemination of evidence; and application of that evidence by educators and policy makers
- Generate benefits in excess of the costs incurred in collecting and processing data and in creating, sharing and using evidence

Productivity Commission, *National Education Evidence Base* (2016a, p.5)

However, overcoming privacy concerns remains a significant hurdle. Short-term political sensitivities have come at a cost of long-term gains for the Australian community. Across its three inquiries into data access released in 2016 – *Building a National Education Evidence Base, National School and Early Education Evidence Base and the sector-wide Data Availability and Use* – the Commission has found that privacy concerns, costs and risks are far outweighed by the untapped knowledge and productivity gains to the economy when greater access to private and public data is properly managed. However, political resolve and adequate resourcing, not seen to date, is essential to undertake the institutional, legislative and cultural change required.

## 2.6 Conclusion

Australia's experience in school funding reform shows how clear evidence, relevant to the policy issue at hand, and conveyed forcefully to decision makers, was not taken

up. This exposes a series of key points about the dynamics of evidence-based policy making and the confluence of factors that must come together to bring about significant reform.

The Productivity Commission has called on COAG to commit to a renewed Education Agreement with *explicit* policy direction to establish a national monitoring and evaluation system. This system provides the basis for developing an education system that is fair, transparent, financially sustainable and effective at promoting excellent outcomes for all students. This model encompasses core preconditions for evidence-based policy: wide access to data as a public good; systematic bottom-up evaluation of policy impact; good governance through independent oversight of data collection and analysis; and transparent reporting to government and the public. What is needed finally, is the application of that evidence by policy makers and educators to bring about improved outcomes for Australian students.

### Postscript:

On 2 May 2017 Prime Minister Malcolm Turnbull announced a 'new' schools funding package which would allocate future funding based on assessed need, stating "This reform will finally deliver on David Gonski's vision, six years ago, after his landmark review of Australian school education". Gonski has also been chosen to lead a review to improve results of Australian students. The Coalition, under Tony Abbott and until now Malcolm Turnbull had previously planned more modest funding, and refused to embrace the final two years of Gonski. In a reverse show of bipartisan support the Labor's Opposition Leader Bill Shorten is expected to support the policy changes which will ensure consistent and increased Commonwealth funding for schools.

# Case Study 2: Transparency and Independence in Disability Reform

## 3.1 Introduction

This section outlines the Labor government's reforms to disability care and support, Australia's biggest social reform this century. It highlights the third and fourth preconditions for evidence-based policy: (iii) *transparent evidence-gathering process*; and (iv) *independent governance of evidence*.

This case study shows how confidence in the Productivity Commission's public inquiry process led to bipartisan support for major changes to Australia's disability system, moving from a state-based welfare model to a national insurance model. To support this change, independent governance arrangements have been put in place to administer the new scheme, evaluate its performance, and address concerns over deficiencies in the collection and use of data and evidence under the previous state-based arrangements.

## 3.2 The genesis of reform

Disability welfare reform formed a key component of the Australian Labor Party's Social Inclusion platform. Once in office, Australia became a signatory to the [United Nations Convention of the Rights of a Person with a Disability](#) in 2008. This would set the guiding principles of the new scheme and accountability of future Australian government's to meet their obligations under the Convention. Disability reform was championed by Bill Shorten, then Parliamentary Secretary of Disabilities (now Opposition Leader) and Jenny Macklin, former Labor Minister for Families, Community Services and Indigenous Affairs. Disability had long been the subject of debates about cost and blame shifting between the Commonwealth and the states and territory governments. Guaranteed future funding for disability services was a significant part of the rationale for the reform, underpinning its policy objectives to ensure that people with a disability and their carers have an enhanced quality of life, enjoy



choice and wellbeing, achieve independence, social and economic participation, and full inclusion in the community (Australian Parliament House, 2013).

In its 2011 report presented to the Gillard government, the Productivity Commission concluded that the previous arrangements were 'inequitable, underfunded, fragmented, inefficient and gave people with disability little choice and no certainty of access to appropriate supports' (PC, 2011, p.5). In 2013, with bipartisan support from the then Opposition Leader Tony Abbott, Prime Minister Julia Gillard passed legislation to introduce the National Disability Insurance Scheme (NDIS or the Scheme), providing insurance cover for all Australians with, or in the event of, a profound or severe permanent disability. Among indigenous Australians, the rate of disability is twice the rate of the non-indigenous population. The NDIS is currently being rolled out across the country and is the only disability insurance scheme of its kind in the world (Ramcharan, 2016). The NDIS was a policy whose time had come. Almost 40 years after Labor's Whitlam government had first proposed it in 1975, it became law.

The NDIS represents a break from previous welfare models. Its design sought to overcome what the Commission referred to as the 'vagaries of governments' budget cycles' by pooling Commonwealth and state and territory government funding into a national insurance scheme, with increased funding from the Commonwealth (PC, 2011; COAG, 2012). In recognition of the shared risk across the community, the Scheme adapts insurance and market-based principles to the delivery of social services, providing choice and control to consumers. Based on UK models, 'direct payments' are provided to individuals on the basis of need to provide support commensurate with that need, replacing 'fixed budget' and 'block funding' to service providers. Flexible, individual 'plans' allow for personalised services, such as personal care, community access, occupational and speech therapy, home modifications and equipment.

Hence, consistent and equitable funding is key to the proper functioning of the new system.

Due to the significance of the change, staged implementation was scheduled to take place over several years. Trials commenced in different jurisdictions across Australia in 2013. In 2016, the scheme moved to a full national roll out. By 2022, when fully operational, it will assist around half a million of the 4.3 million Australians living with a disability to access better disability support, at a cost of around \$25 billion per year.

### 3.3 Evidence-based policy requires transparent evidence-gathering processes

Community and political support for the adoption of the NDIS, despite its increased costs, can be attributed in part to the Government's decision to undertake an open and transparent public inquiry to seek independent advice on the feasibility of its policy proposal for a national compensation scheme. The Commonwealth Government has at its disposal a range of options for sourcing independent external advice to accelerate policy reform and reduce costly and harmful errors – the third precondition for evidence-based policy outlined in this paper. Why did the Government refer disability reform to the Productivity Commission?

In order for the new Labor government to test community and political support for a reform of this magnitude, it required the independent, objective expertise of the Productivity Commission. Even though the political climate was, in principle, largely supportive of reform to an inequitable and dysfunctional disability system, a new insurance scheme posed significant challenges: increased cost for all governments and taxpayers; an overhaul of existing institutional arrangements; and countless unknown elements for service providers and users of those services. The risks and costs of failure to the community, people living with a disability, and the government would be high.

Australia's Productivity Commission is an independent advisory body. The institutional

characteristics of the Commission, statutory independence, transparency and a community-wide perspective, result in a process of transparent evidence gathering and interrogation, in-depth research and analysis, consultation, open inquiries and constituency building, leading to publicly available recommendations. The Australian Government

considers this process, which requires nine to 12 months for key policy or regulatory issues that have a bearing on Australia's economic performance and community wellbeing. The Commission's three core operating principles guiding its public inquiry process to advise the Labor government on disability reform are outlined below (Box 3).

### Box 3: The Productivity Commission's public inquiry process into disability welfare reform

**Statutory independence:** By definition, a public inquiry that is independent does not have a vested interest in the advice provided to government. As a standing statutory body, the Commission undertakes its own detailed analysis and reaches its own conclusions about the best way forward for the community. Its key role therefore, was to explain to the community what was wrong with existing disability arrangements and how to improve them. The Commission's independence ensures open and transparent processes with ample opportunity for public and expert input to the formulation of policy recommendations (Banks, 2011; 2007).

**Transparent process:** Transparency entails public scrutiny of the information and evidence on which advice is provided to government. This process provides Australians with the opportunity to have a say in the nation's public policy formation. This platform is provided through advertised hearings, workshops, consultative forums, and through the public release of draft reports with preliminary recommendations.

Extensive public consultation has many benefits in the policy-making process. Not only does it provide governments with the opportunity to gauge the likely reactions of the public to different policy approaches, but it can lead to better-informed analysis and recommendations (Banks, 2007; 2011). The success of an inquiry can depend on the active involvement of the community and is an important factor in the success of the NDIS. The NDIS inquiry received more than 1,000 public submissions, consulted with 120 organisations and individuals and conducted more than 20 days of public hearings. By allowing ample time for public input and debate the Commission is assured that people with a 'lived experience' of disability and disability services were consulted as part of the evidence-gathering and policy formulation process.

**Community-wide perspective:** Under its legislation, the Commission is required to take a broad view, by gathering evidence and making recommendations encompassing the interests of the economy and society as a whole, rather than just particular industries or groups (Banks, 2007). Hence, the Commission's recommendations aimed to address what the evidence revealed as stark differences in disability funding and service quality across the states and territories. The service-led welfare model had led to what the Commission viewed as 'an economically unsustainable system in crisis'. Guided by this 'society-wide' perspective, the Commission designed a 'no-fault' insurance model that assists all Australians should they acquire a significant disability, reflecting the shared risk of disability across the population. The Commission's recommendations are twofold, in that they seek to redress how a new policy would work for the people it is intended to help –and also how it would provide benefits for Australians more generally.

### 3.4 Evidence-based policy requires independent governance of evidence

The fourth interdependent enabling factor in evidence-based policy approaches is *independent governance of evidence*. One of the key recommendations from the Productivity Commission was that the NDIS should be overseen by an independent body and governed by an independent board. The creation in law of the National Disability Insurance Agency (NDIA) has in effect institutionalised an objective source of monitoring and evaluation for future decision making. A single agency model helps to ensure independence in decision making from any government and assess if the policy is meeting its intended objectives. This is essential for the NDIA to be able to fulfil its role as an advisory body to the Government's Standing Council on Disability Reform. The Standing Council is a COAG Ministerial Council and the decision-making body on NDIS policy, comprising treasurers and ministers responsible for disability from the Commonwealth and each state and territory (COAG, 2012).

The need for a national, sector-specific, independent funding body became apparent through the Commission's inquiry process. It found that the systematic and coherent collection of data to manage costs and assess outcomes and performance, which are now key responsibilities of the NDIA, had been neglected by state and territory governments:

Approaches to delivery of supports and administrative processes are only weakly evidence-based, despite the billions of dollars given to such services each year (PC, 2011, p.7).

To provide the data, a key aspect of the evidence base of a sustainable insurance system, the NDIA must undertake sophisticated collection and analysis of data, provide national research capacity, and ensure that measurement of the performance of disability and other complementary services is nationally consistent and equitable (PC, 2011).

A single agency model also puts in place mechanisms for identifying and disseminating this learning. The Commission found that, like other areas of service delivery across the Federation, while no disability support arrangements in any jurisdiction were working well, there were pockets of success. Systematic monitoring and evaluation enables the NDIA to build a nationally consistent evidence base to assess performance and diffuse best practice. Adopting a social protection scheme with a basis in competition between service providers is expected to incentivise the uptake of best practice across jurisdictions and encourage innovation, based on sound evidence. The Coalition government is now considering this model for other areas of social policy reform.

### 3.5 'Evidence-informed' policy and the future of the NDIS

The NDIS is the most significant nation-building reform undertaken in Australia since universal health insurance, Medicare, was introduced in 1975. The Commission's inquiry informed a considerable part of the final policy design of the NDIS. Early evaluations by the NDIA have shown marked improvements in the lives of participants and their families (Australian Department of Human Services, 2016). However, like many policy overhauls the NDIS is not without its problems.

As noted in the Introduction, policy analysts are under no illusion that there can and should be a direct and unproblematic link between 'the evidence' and policy decisions and outcomes (Cairney, 2016). The Australian Government is under no obligation to accept or adopt any recommendations contained in Productivity Commission reports, and often elects not to do so (Holthouse, 2014). However, its decision to 'cherry pick' or partially adopt recommendations has contributed to the current challenges in the implementation of the Scheme. The objective of Australia's disability reform was 'to address existing deficiencies in an equitable, efficient, cost-effective and accountable way, while avoiding new pitfalls' (PC, 2011). In reality, design issues, hasty

implementation and an expanded eligibility criteria mean new cost estimates of \$25 billion per annum represent a threefold increase on current spending levels of \$8 billion, and double the extra \$6.5 billion originally modelled by the Productivity Commission.

First, political expediency meant the Gillard government commenced implementation a full 12 months ahead of the schedule recommended by the Commission, leaving state and territory governments struggling to operationalize information and communications technology systems, build workforce capabilities and meet the increased demand and costs of services.

Second, the Government did not adopt the Commission's recommendations to meet the entire funding needs of the NDIS, despite its aims to address what the evidence revealed as large differences in funding and service quality across the country. Maintaining shared funding arrangements leaves room for considerable negotiations between the Federal and state and territory governments about future cost sharing. This puts the new policy in danger of repeating the mistakes of the past, where disability remains highly politicised and funding uncertain, leading to pressure to reduce the scope and certainty of care and supports provided under the Scheme, or requiring governments to provide more funding at the expense of other programs.

In order to mitigate against policy failure, an inbuilt evaluation mechanism formed part of COAG's ministerial agreements in 2012 and 2013. Thus, the Commission has commenced its review of the sustainability of the Scheme's costs, releasing its Issues Paper for public comment in February 2017 (PC 2017). Recommendations provided to Government in September 2017 will inform the final design of the full scheme when it becomes fully operational in 2022.

### 3.6 Conclusion

Australia's experience in disability reform provides a clear example of the use of domestic and international evidence by the Australian Government to inform its directions for innovative and far-reaching social welfare reform. The Productivity Commission's public inquiry process, leading to bipartisan support for the NDIS, illustrates the importance of the third precondition for evidence-based policy making: *transparent evidence-gathering processes*. To support the sustainability of the new Scheme, the fourth precondition, *independent governance of evidence*, is being realised through the NDIA. With responsibility to administer the Scheme and evaluate its performance, the NDIA plays a crucial role in advising the Australian Government's future policy and funding decisions, as the NDIS evolves from pilot sites to national implementation and beyond.

# Case Study 3: Building Capability and Expertise in Public Sector Agencies



## 4.1 Introduction

The first two case studies have focused on four inter-related elements of evidence-based policy making: *data gathering, analysis and dissemination; monitoring and evaluation; independent and transparent evidence gathering processes; and independent governance of evidence*. This paper illustrates how these came to bear in education and disability reform in the Australian context. The third case study examines the fifth precondition, tracing the evolution of the Federal Government's approaches to develop the policy capabilities civil servants need to bring these four elements together to provide timely evidence-based advice to government.

## 4.2 The rationale for reform

It is said that public servants 'best serve the public by serving well the government of the day', by providing robust evidence-based advice for ministers to debate the relative merits of policy options (Banks, 2013). This requires a critical mass of high-level policy and research skills in public sector agencies to rapidly acquire and integrate research into policy decision making (Head, 2014). A focus on skills and capabilities of the Australian Public Service (APS) to support evidence-based policy emerged early in the term of the Labor government. In a series of public statements Prime Minister Rudd stressed that:

A third element of the Government's agenda for the public service is to ensure a robust, evidence-based policy making process. Policy design and policy evaluation should be driven by analysis of all the available options, and not by ideology. When preparing policy advice for the Government, I expect departments to review relevant developments among state and territory governments and comparable nations overseas...We're interested in facts, not fads...Policy innovation and evidence-based policy making is at

the heart of being a reformist government (Rudd, 2008); and

We cannot afford a culture where the public service only tells the Government what it wants to hear (Rudd, 2009).

As in other policy domains, the Federal Government commenced a series of reviews of the public service in 2009, leading to *Ahead of the Game: Blueprint for Reform of Australian Government Administration* (Advisory Group on Reform, 2010).

The reviews found that while the APS was deemed a high performing public service against comparable countries overseas (UK, Canada), skills and capacity were mixed across and within agencies, and levels of government. The report identified a number of areas of poor performance: its capacity for coordinated, informed and strategic policy; its tools, methods and institutions for integrating external expertise and the views of citizens into the policy development and service design process; and insufficient understanding of government priorities (KPMG, 2009).

Interviews with Federal public servants revealed a number of systemic issues which required change:

Employees do not feel equipped to develop strategic policy and delivery advice, collaboration is not a routine way of working and the immediacy of day-to-day activities prevents employees from focusing on emerging issues and producing forward-looking analysis (Blueprint, 2010, p.53).

These constraints echoed those raised in policy circles at the time. At the 2009 Roundtable on *Strengthening Evidence-based Policy in the Australian Federation*, the Productivity Commission pointed out that evidence-based approaches were hampered because of the lack of technical skills within the public service to generate robust evaluations, and where evaluations did exist, they were rarely shared outside commissioning

departments or contracted institutions (PC, 2009b, p.61).

The *Blueprint* recommended 'strengthening the capacity of the public service to provide strategic big picture policy and delivery advice' through improvements to research and data analytic skills, as well as better links with academic institutions to integrate external research and expertise (see Box 4):

The APS needs to strengthen its capacity to undertake rigorous research, gather and analyse data and provide the highest quality strategic policy advice (*Blueprint*, 2010).

These issues pointed to the need for concerted response across Federal, state and territory governments, realised through systematic and sustained investment in data collection, analytical skills, institutional capabilities, and evaluation frameworks to build a rigorous evidence-informed public sector.

#### Box 4: Building strategic policy capability across the Australian Public Service

1. Deliver better services for citizens
2. Create more open government
3. Enhance policy capability
4. Reinvigorate strategic leadership
5. Drive change and provide strategic planning through central agency (APSC)
6. Clarify and align employment conditions
7. Strengthen workforce planning and development
8. Ensure agency agility, capability and effectiveness
9. Improve agency efficiency

*Ahead of the Game: Blueprint for Reform of Australian Government Administration (2010)*

### 4.3 The reforms are derailed

The Political and economic turmoil at the time however, derailed the major reforms required. The global financial crisis rapidly changed the priorities and policy settings of government from 2008 onwards. By June 2010, three months after the *Blueprint* was delivered, Julia Gillard had replaced Kevin Rudd as Prime Minister. In response to the rising public debts brought on by the economic stimulus, research and evaluation staff and budgets were cut across the board, including statistical agencies. In her then tenuous position leading a minority government following the August 2010 election, Gillard was quick to renounce the \$39 million originally allocated in the 2010 budget for the reforms, as the Government's priorities shifted to more pressing areas (Halligan, 2010). Instead, the recommendations endorsed by the Government in the 2010 *Blueprint* were modest in their scope for change (JCPAA, 2012). The development of best practice policy 'toolkits' among other initiatives in Canberra was unlikely to bring about the systemic change required.

The lack of whole-of-government investment and action was confirmed in a survey carried out between 2010 and 2013 across both levels of government. Led by respected academic Brian Head, results revealed persistent research-to-policy gaps. The survey found that while academic research was valued and considered relevant, it was still not being used by a majority of staff in policy decision-making positions. The low uptake was most pronounced in areas that did not promote a 'research culture' accounting for large variations in skills and capabilities between agencies. That is, where training in collecting and analysing policy-related data

and investment in databases was prioritised, and where staff were assigned a 'knowledge intermediary' role raising research awareness and use with external organisations (Head et al., 2014).

### 4.4 Conclusion

These research findings point to the core of the issue of building policy capacity: That open access to and analysis of data which was championed by the *Blueprint* was not being systematically applied across the federal public service, let alone at the state level. Despite claims to value evidence-based policy, neither Labor's human resource reform policies or its parallel 'open government' agenda had provided the whole-of-government institutional and cultural change required to collect, share and analyse data to build evidenced-based policy capabilities across the APS.

The evolution of Australia's 'open government' policies and its impact on the development of the skills and capabilities of public policy officials are explored in the sixth precondition for evidence-based policy in the final case study.

# Case Study 4: Open Government Is a Prerequisite



## 5.1 Introduction

The sixth enabling condition for evidence-based policy, and the foundation on which the others rest, examines Australia's open government reforms over the last 10-year period of reform. 'Open government' – *making more data available to more people* – enables evidence-based policy making in two ways. First, it can enrich the quality of the public discussion around a policy issue by enabling a wider range of actors to produce alternative analyses, and potentially contest government narratives. In a society with robust democratic institutions, including an open media, this should result in better policies (Butler, 2016; UNESCO, 2015). Second, as this case study suggests, open government can catalyse the development and acquisition of skills needed in the public service to support evidence-based policy making.

Over the last ten year period, administrative data has been progressively released in Australia, but numerous barriers have hampered progress, not the least cost, in times of fiscal restraint. This chapter outlines proposals by the Productivity Commission to advance Australia's open data reform agenda, to support Australia's future economic productivity. As with other reform areas of national significance outlined in the previous chapters, the political resolve of the Federal Government to secure agreement from the states and territories remains key to advancing the evolution of significant national reforms.

## 5.2 The current agenda: linking open government with productivity

The productivity agenda of the Coalition government led by Prime Minister Malcolm Turnbull centres on innovation and competition, in particular, in the delivery of public services by the states and territories, to foster more fiscal autonomy from Commonwealth funding<sup>7</sup>. Accordingly, Turnbull's *Public Data Policy Statement* recognises that this entails realising the productive potential of private and government held data:

The data held by the Australian Government is a strategic national resource that holds considerable value for growing the economy, improving service delivery and transforming policy outcomes for the nation (Australian Government, 2015).

To meet these challenges, the Government requested that the Productivity Commission undertake a 12-month public inquiry into the benefits and costs of improving the availability of data and individuals' ability to access their own data to inform consumer choices. In its draft report *Data Availability and Use* released in October 2016, the Commission noted 'until this inquiry, there has been no structured attempt to comprehensively review this matter in Australia, despite the enormity of the transformation under way'. The Commission was frank in conveying the urgency of the matter to government:

Reforming access to public sector data is a priority. Significant change is needed for Australia's open government agenda to catch up with achievements in competing economies (PC, 2016c, p.2).

<sup>7</sup> [Innovation – Powering Ideas: An Innovation Agenda for the 21st Century, Australian Government](#). The 2014 Financial System Inquiry (the Murray Inquiry) and the 2015 Harper Review into Competition Policy (Harper Review) recommended the Productivity Commission undertake public inquiries into introducing the principles of competition, contestability and informed user choice into human services, as well as greater data availability and use.

The Productivity Commission has long been vocal in its criticism of government inaction in this area, particularly the lack of transparency and durable commitment by state and territory governments, describing efforts as a series of 'false starts, deferrals, eventual reprioritisation and non-delivery' (PC, 2013, p.15). Almost 10 years since Australian governments first agreed through COAG to advance the human capital reform agenda by making more administrative data available on health, education, disability, and 'Closing the Gap' targets between indigenous and non-indigenous Australians, data problems continue to hamper the transparent evaluation of policy and program performance in these and other social policy areas (COAG, 2008; PC, 2010; 2013; 2016c).

The Commission's inquiry found that, despite the large potential benefits relative to costs, much of the administrative data remains under-utilised as an effective evidence base. Recurring barriers reflect those plaguing the education and disability sectors outlined in earlier chapters: insufficient data sharing between agencies (beyond the purpose for which data was initially collected); non-standardised datasets; insufficient dataset links; little public access to data; and limited access for independent research. This has led to missed potential for stronger evidence-based policy. The Commission itself has had to rely on the powers of its governing Act to access data which it maintains should be 'open by default' to enhance open and transparent policy making and sharpen incentives for governments to perform well (PC, 2013; 2016b, p.8-9).

## 5.3 Open and transparent government benefits the community

Enhancing the evidence on which government's make decisions is central to improving community living standards. As a rich source of evidence, linking administrative data can enable better government through determining 'what works' (i.e. welfare-to-work pathways); understanding disadvantage

and social exclusion; and improving social outcomes, in particular health outcomes. Governments can assess whether policies and programs meet their stated objectives, operate as intended, and are delivered cost effectively, thereby reducing unnecessary expenditure.

Recent experience in the UK shows the benefits that can accrue to the community by increasing public awareness of issues otherwise unknown. Butler (2016) argues that independent analysis provides assurances to the community through verification or correction of government-commissioned studies or fills the gap where government evaluation is lacking. His exposure of a damning UK National Audit Office (NAO) report on the impact of current UK government policy to sanction recipients of welfare benefit highlights how independent analysis can alert the community to policy failings that would otherwise have remained concealed by government. The UK experience reinforces the importance of open access to administrative data as a prerequisite for independent evaluation of policies, to bring to a government's attention to the unintended negative impact of policies on the community.

Indigenous policy expert Mark Moran argues that Australia's reluctance to release data for external scrutiny, in particular in areas of indigenous policy and programs, is at odds with the UK and other countries (Moran, 2016). New Zealand's experience using integrated and 'user-oriented' data to personalise services for 'at-risk youth' resonates strongly with Australia's need to drastically improve outcomes for indigenous youth and other at-risk groups. But neither has the Australian Government capitalised on its own lessons. Despite more than 30 years of experience, Western Australia is still the only state that releases de-identified state health data, integrating it with Commonwealth health data. Australia collects a large amount of population-based data, on Medicare services, dispensing of subsidised pharmaceuticals, emergency department presentations, hospital admissions, aged care and deaths. National links would have huge potential for

policy-relevant research (PC, 2016c, p.73-74).

#### 5.4 What has been done so far?

Previous attempts have been made by the Federal Government to increase data sharing and accessibility across the states and territories. In tandem with Labor's Blueprint process outlined in the previous chapter, a 'Government 2.0 Taskforce' focused specifically on the implications of the digital revolution for government. Its 2009 report called for fundamental shifts in policy and institutional arrangements at the time, stating:

Leadership and policy and governance changes are needed to: shift public sector culture and practice to make government information more accessible and usable; make government more consultative, participatory and transparent; build a culture of online innovation within government; and promote collaboration across agencies (*Government 2.0 Taskforce* 2009, p. x).

This led to a range of agency integration initiatives and new administrative architecture. The Office of the Information Commissioner (OAIC) was established; freedom-of-information (FOI) reforms were implemented and administrative datasets were progressively released on a new portal, [data.gov.au](http://data.gov.au) (JCPAA, 2012).

The Commission also credits initiatives such as the My School website (Case Study 1) for setting the course for more open and transparent government to enable the community to benchmark different service providers, in this case schools. But the Commission has found that the downside to increased capacity to observe performance has been the extreme reluctance to release agency-level data. Complex approval processes result in delays in accessing data, fragmented data releases, distrust within and between jurisdictions, and a general culture of risk aversion (PC, 2016c).

In moves signalling a way forward, the Coalition government's *Public Sector Data*

*Management Project* has tasked public agencies with optimising the use and re-use of public data; to release non-sensitive data as 'open by default'; and to collaborate with the private and research sectors to extend the value of public data for the benefit of the Australian public (Australian Government, 2015b). But, as the previous chapter showed, these and other initiatives require specialist skills that are still found lacking across the APS. A select few high-ranking 'reform champions,' a default position under both governments, is not sufficient to bring about the whole-of-government institutional, legislative and cultural change required.

In contrast to evidence-based approaches in the UK under the Blair government, Australia does not invest in the use of Randomised Control Trials for policy evaluations (Leigh, 2009). But Australia's reluctance to embrace what some consider internationally as the 'gold standard' of evidence gathering and policy evaluation has sound basis, including high costs, ethical considerations, external validity (relevance outside the context where it was tested) and limited policy applicability. However, neither has the Government developed more cost-effective alternatives, such as wide public access to administrative data. So where have these efforts floundered? Barriers still exist because the reforms over the last 10 years have failed to deal with underlying issues: privacy, data management and skills, in a nationally concerted way.

### 5.5 Data skills are lacking in the Australian Public Service

Consultations and submissions informing the Commission's recommendations, including the Department of Prime Minister and Cabinet's own internal public sector capability review in 2015, revealed that a failure to address skills and capability needs is hampering the ability of public sector staff to make full use of administrative data to provide evidence-based advice. Skills in short supply include the ability to extract, interrogate, manipulate, analyse, communicate and interpret data;

skills maintaining and maximising a dataset's usefulness and an understanding of data's potential uses; and specialist capabilities to build 'tools' for data analysis. Consultations revealed a broad consensus that existing policies limiting data sharing and analysis have perpetuated a cycle of persistent skills gaps, thereby further limiting the benefits and incentives to release data (Australian Government, 2015b; PC, 2016b, p.257-258).

Existing policies have also led to the under-utilisation of skills outside of government. 'Research agreements' between departments and universities are not broad enough and are usually driven by the needs of government agencies, rather than making data available for wider evaluation and analysis per se, to release its untapped potential. For example, under existing policies the datasets behind the Productivity Commission's annual [Report on Government Services](#), which acts as a driver to improve performance and service delivery, is not publicly available. Restricted to reporting only highly aggregated data severely limit its use for analysis in making better-informed decisions. This is in contrast to other countries where the datasets are made available to 'trusted researchers' for analysis 'to enable discovery and solutions to seemingly intractable problems' (PC, 2016b, p.5).

The greater release of data is essential to growing the skills and capacity inside and outside of government, to expand research and evaluations available to inform government decision making.

### 5.6 What is the Productivity Commission proposing?

The Commission has concluded that due to long-standing institutional, legal and technical failings of successive Federal, state and territory governments, Australia's open government responses have not kept pace with the needs and demands of its citizens for more open government. Marginal and incremental changes to existing systems and legislation do not suffice. Early initiatives by the Coalition government are promising but these

processes underway within Commonwealth agencies are not wide reaching enough.

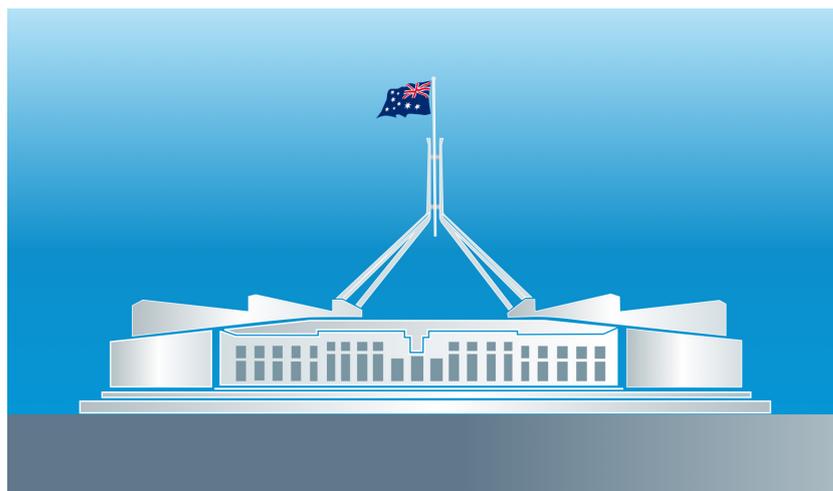
The Commission has stressed that progressing Australia's open government agenda requires clear political leadership with dedicated timelines to establish nationally consistent privacy legislation and institutional frameworks. Proposed reforms aim to change government behaviour from systems built on risk aversion and avoidance to measures that build trust, and a genuine risk-based approach to data management. This would be realised through the introduction of a national *Data Sharing and Release Act*. Independence from government, the fourth enabling precondition, would be supported by a new National Data Custodian and sector-based Accredited Release Authorities that would enable streamlined access to curated datasets, including those deemed to be National Interest Datasets. Australia has institutional models, skills and experience to turn to in the Australian Institute of Health and Welfare.

## 5.7 Conclusion

The benefits to the Australian Government and its citizens of reforming open data policies are unquestioned. Data holds considerable untapped value for improving Australia's productivity potential, improving evidence-based policy making and service delivery by state and territory governments, among other benefits. The Productivity Commission estimates this process could take five to 10 years. This indicates the urgency for Commonwealth, state and territory governments to come together to reduce barriers to the production, procurement and use of evidence in policy in Australia.

# 6

## Conclusion



**T**his paper has briefly traced the evolution of evidence-based policy in Australia over the past 10 years. It commenced with the election of Labor in 2007 up to the present Coalition government. Over that period this paper highlighted six inter-related ‘preconditions’ that create a conducive environment for evidence-based policy making, exploring how these preconditions have or have not been present in four policy areas.

The six enabling factors for better evidence-based policy canvassed in this paper are: (i) publicly available government data; (ii) the systematic, government-wide monitoring and evaluation of policy and programs; (iii) transparent policy processes involving evidence gathering through public consultations; (iv) independent institutions tasked with building evidence through data gathering and evaluation of policies and programs as the basis for future decision making; (v) a public service skilled in data management and analysis to provide strategic evidence-based policy advice to government; and (vi) political leadership to realise the benefits of an open government which allows public access to data to better inform public debate.

The selected case studies, addressing disadvantage by reforming schools and disability funding structures, as well as public sector skills development, and policies promoting open government, show that these elements are still evolving and require further reform. Political action, or inaction, remains the constant confounding factor reflecting international experience in this space.

## 6.1 Case Study 1: Evolution of schools education reform

The case study on education reform highlights three preconditions for evidence-based reform, *data access, policy evaluation and independent governance of evidence*. It commenced with Labor's initiatives to increase the evidence base on school performance as the basis for future decision making on resource allocation. The reforms were intended to address stark inequality in literacy and numeracy levels across Australian schools. But as this paper shows, governments did not make funding decisions on the basis of that evidence. States and territories were unwilling to relinquish funding even while the evidence from national and international literacy and numeracy tests showed serious gaps between secondary students from different backgrounds, which persist today. This raises a second problem facing the current government. The existing evidence base is insufficiently nuanced to understand what drives student gains. That is, how exactly to tackle entrenched inequality by understanding the impact of teaching practices, how students learn, and rates of progress. Thus the type of evidence base is important and needs to be carefully considered in future reforms.

The Australian Government is looking to address this unfinished reform agenda. The Productivity Commission has recommended establishing an independent research body to undertake systematic, objective, school-wide evaluation of what is working in Australian classrooms and to apply that evidence to under-performing schools. The more effective use of data in the hands of teachers, schools and researchers can improve decision making by those at the coalface as well as policy makers to direct resources where they are most needed.

## 6.2 Case Study 2: Evolution of disability reform

Chapter 2 highlighted the Productivity Commission's *transparent processes for gathering and interrogating evidence*, the

third precondition for evidence-based policy making, to inform its recommendations to government on disability reform. This process draws on extensive public input and led to the adoption of a new national disability insurance scheme with bipartisan support in 2012. *Sound governance arrangements*, the fourth precondition, were put in place through the creation of an independent oversight body. The national disability insurance agency is tasked with data collection and performance monitoring of the new policy. This encourages sustained evidence-based decision making and helps keep governments focused on meeting its policy objectives. This approach, which features a client-centred service delivery model, sequential roll out and refinement, and independent oversight is now being considered by the Coalition government as an option for reform of service delivery in human services.

Australia's experience in social policy reform highlights the key role of the Productivity Commission in recommending approaches that are palatable both to political parties and the public, and therefore are more likely to succeed. The Commission is also involved in evaluating the Scheme's implementation by undertaking further modelling of current and future costs, efficiencies and service delivery capabilities which will inform its final design.

## 6.3 Disability versus education reform – How come and why not?

The contrasting outcomes of education and disability reform outlined in this paper provide an important lens through which to understand the complex inner political workings of policy making in Australia. While myriad factors led to the success of one Labor policy reform while the other failed to gain support, this paper sheds light on some key elements. Both areas of social policy reform were driven by Labor's desire to address disadvantage through complex changes to existing funding

8 See postscript on recent education funding announcement by Prime Minister Malcolm Turnbull on May 2, 2017, p.13 of this working paper.

structures, which had perpetuated social inequality over many years. Both reforms had strong economic imperatives to fix unsustainable systems that were dragging on Australia's productivity performance.

In a recent interview with two chief architects of the NDIS, Rhonda Galbally explains that fractured and fragmented 'warring' advocacy groups for disability put aside their own interests to mobilise and form an alliance as a single point of advocacy to the Commonwealth government. Strong backing by seasoned Labor ministers Bill Shorten and Jenny Macklin was also a key component of getting and keeping disability reform on the Commonwealth agenda, leading to Prime Minister Gillard's support to take action on the Productivity Commission's 'once in a generation reforms' (Galbally, 2016). The sums of money and people affected were substantially larger in education reform, but no such attempts were made to put vested interests aside to direct extra resources to parts of the country that were clearly receiving less than their fair share.

Although an independent, expert panel was assembled to advise the Government, the view of the Gonski education funding review as an enduring Labor legacy makes it unpalatable to the Coalition government (in particular to more conservative Liberal MPs<sup>6</sup>). It was also the first time major reform to education funding had been put on the table. This is in contrast to the bipartisanship displayed for disability reform put forward by the Productivity Commission. Despite its genesis in Labor's Whitlam government in 1975, the Woodhouse Report was subsequently revived by the Deputy Prime Minister of the Coalition government in 2005, just prior to losing the 2007 election. The market-based competition model of the NDIS also aligns more closely to the Coalition's principles and its direction for future reforms in other areas of social policy. As Bruce Bonyhady, inaugural chair of the NDIA explains, putting economic performance and community wellbeing at the centre of its advice to Government, the Productivity

Commission's design transformed disability from welfare policy into risk, insurance and investment policy (Bonyhady 2016).

#### 6.4 Case study 3: Evolution of Australian public service reform

Chapter 3 shifted its focus to an overview of Australian Public Service reforms. Government-led reviews and independent research showed that Federal, state and territory civil servants lacked the means, motive and opportunity to undertake *rigorous research, gather and analyse data and provide strategic policy advice*, the fifth enabling factor for evidence-based policy making. Skills in data analytics were in short supply, and the motivation to provide long-term strategic advice was consumed by the day-to-day pressures of responding to ministers. Although the Government was provided with clear evidence of the need for systemic reform, the series of initiatives that unfolded did not have the intended impact. The reform agenda was distracted by political and economic turmoil and more pressing priorities under the new Gillard government.

Ultimately however, as recent evidence shows, the reforms floundered because the measures did not address a core condition for evidence-based policy to thrive. That is, data access remains prohibitive, significantly reducing the opportunity for public servants to provide evidence-based analysis and advice. It is unlikely therefore that the analytical skills needed in the public service will develop if data is not available to be interrogated, managed, shared and used to inform government. In Australia's federal system, states and territories are not willing to accept the costs and potential political fall-out from greater public scrutiny of their policies. Again, this paper showed political leadership has been lacking to address cost and risk sharing between the Commonwealth and state and territory governments.

#### 6.5 Case study 4: Evolution of open government reform

The final chapter underlines the importance

of the sixth crucial precondition for getting more evidence into policy, *open government or making more data available to more people*. 'Open government' forms the basis of accountable and transparent governments and improves the quality of policy debate in the public realm. Australia's experience reforming data sharing is decidedly mixed. While there has been the progressive release of administrative data (the first precondition), this slow burning evolution towards open government shows the agenda lacks the full weight of political commitment at all levels behind it.

As a result, despite successive stated commitments, Australian governments are still not adopting consistent and systematic evidence-based policy approaches. Australia still faces significant data and evaluation gaps. Capability gaps continue to hamper information on the performance and impact of policies and programs. This problem is not uncommon to governments but does not have to be a *fait accompli*. Real change requires real leadership.

#### 6.6 The Productivity commission – an independent policy advisory body

Over the 10 years covered in this paper, the Productivity Commission has continued to exert considerable influence in Australia's evidence-based policy landscape. As an explicitly apolitical body working on politically charged questions, the Commission has successfully served successive governments for more than 40 years by undertaking independent and transparent cost-benefit analysis, public consultation, and objective, plain-English reporting on policy problems and their solutions. The expanding remit of the Productivity Commission indicates the significant contribution an independent statutory policy advisory body can make to government decision-making processes for the wellbeing of the community, amidst the complex political processes of policy making.

Improving the living standards of citizens requires governments to be receptive to

evidence. Therefore, action by governments in developing the six inter-related factors outlined in this paper is crucial to enable civil servants to operate in an effective and efficient policy making environment. When key elements are lacking (data for research); or are not prioritized (systematic national evaluation); or are underdeveloped (skills and capabilities); or are in doubt (independent gathering and analysis of evidence); or are poorly functioning (autonomous institutions) the quality of policy advice to government and its ability to serve the best interests of the community is called into question. Australia's experience, in particular the institutional, technical and legal reforms necessary to bring about sustained cultural change – to foster a culture of open government, a data sharing and evaluation culture, and a risk management rather than risk averse culture, can provide valuable insights into where greater efforts and investment are needed.

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